

MINUTES OF MEETING
NORTH SPRINGS IMPROVEMENT DISTRICT

The regular meeting of the Board of Supervisors of the North Springs Improvement District was held Wednesday, July 7, 2013 at 5:05 p.m. in the district office, 9700 N.W. 52nd Street, Coral Springs, Florida.

Present and constituting a quorum were:

David Gray	President
Vincent Morretti	Secretary
Mark Capwell	Assistant Secretary

Also present were:

Doug Hyche	District Manager
Dennis Lyles	District Counsel
Brenda Richard	District Clerk
Nick Schooley	Drainage Supervisor
Donna Holiday	GMS-South Florida, LLC
James Weiss	Resident

FIRST ORDER OF BUSINESS

Roll Call

Mr. Hyche called the meeting to order at 5:05 p.m.

SECOND ORDER OF BUSINESS

Approval of the Minutes of the June 5, 2013 Meeting

Mr. Hyche stated the next item is approval of the minutes of the June 5, 2013 meeting.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the minutes of the June 5, 2013 meeting were approved as presented.

SIXTH ORDER OF BUSINESS

Staff Reports

A. Manager

I. Consideration of Engagement Letter with Bond Counsel (Denise Ganz, Greenspoon Marder) for Special Assessment Bonds Pertaining to Wedge Parcels

Mr. Hyche stated the next item is consideration of engagement letter with bond counsel, Denise Ganz, Greenspoon Marder, for special assessment bonds pertaining to the Wedge Parcels.

Mr. Gray asked have we used them before?

Mr. Lyles responded Greenspoon Marder is the name of the firm that now contains the bond attorneys that we have used for a number of bond issues going back and including most importantly in 2005 when we did a series of five bond issues that year involving WCI properties, Parkland Golf & Country Club, Heron Bay a lot of those. They have been bond counsel for the district for about 12 years, most recently you saw Denise Ganz of Greenspoon Marder when we did the refunding for Heron Bay a few months ago, a deal that we had to quickly jump on to take advantage of the low rates and got everybody's assessments lowered. At that point the name of the firm was Greenspoon Marder but the principal partner, Denise Ganz, handled that matter and this matter before you today as well as the series of five issues back in 2005, the same person but at the time it was called Ruden McClosky. That firm has been taken over by Greenspoon Marder so the name of the firm is different than in the past but the bond partner responsible for NSID's work is the same attorney that has worked with Doug and with me on behalf of this board and prior boards to do a number of financings for the district. This rate structure is broken down into components and Doug has met with her in the past to make sure he is comfortable with the rates. I have also questioned her because I know you will have questions because it is an expenditure that is not insignificant. She breaks it down into components by developer and by type of bond issue. This is going to be essentially two types of bonds, one pertaining to just the stormwater management component a second one pertaining to all the other types of infrastructure, roadway construction, a number of things, they are going to be a wrap around. Part of it will be in effect for 20 years the second part will be initially in effect to a lesser degree and then at 20 years the first part will be paid down to zero the second component will kick in for the remaining 10 years for a 30 year bond. The assessments to the homeowners will remain the same throughout. She also breaks out a component for the offering statement that she will do, which will be sent out to the investment community pertaining to this matter, these bonds, NSID as an entity and SEC regulations apply to all of that. As I understand it and I questioned her about it she took the rate structure that she used in 2005, eight years ago, for the previous series multiple bonds made this one at the same dollar amount except in one or two cases she has slightly reduced it. The offering statement she has reduced in the two areas by \$5,000 or \$10,000 so essentially it is the

same structure that she had in effect eight years ago for a series of bonds that were done at that time when you break it down component by component and obviously approved by a prior board for that work and that type of undertaking in 2005.

Mr. Gray stated I like the fact that she is familiar with our district.

Mr. Lyles stated our bond issues are somewhat unique in that they are a mixture between Chapter 298 drainage districts, which are statutorily authorized and we have our own special act for NSID and our special act also has specific limitations and authorities and measures that we have to follow. If somebody else were to have to figure out how all of that works together it would be a time consuming project I'm not saying it couldn't be done because we had a different bond firm prior to this one and some of the same issues arose. Things are a little more complex than they were when our initial bonds were issued in the 1970's and early 1980's but they have proven with results in 2005 and since then that they can achieve the goals that are set out for this bond issue and I think the manager and I both recommend that you approve this engagement letter under these terms and conditions.

Mr. Hyche stated that is correct.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the engagement letter with Greenspoon Marder to serve as bond counsel on the special assessment bonds pertaining to the Wedge was approved.

II. Consideration of Engagement Letter for Expert Witness and Research (Berkowitz Pollack Grant, Inc.) Pertaining to Litigation Against Broward County Regarding Large User Agreement

Mr. Hyche stated the next item is consideration of an engagement letter with Berkowitz Pollack Grant, Inc. for expert witness and research pertaining to litigation against Broward County regarding the Large User Agreement. I talked to Dennis and asked him to call around to find out the experience on this.

Mr. Lyles stated I thought it important as well to make sure we were on the same page here with our special counsel. I independently of him reviewed this firm. I confirmed that they are in fact regularly engaged in the business of reviewing extensive financial records and testifying as expert witnesses in complex civil litigation matters and in fact my firm ran into this group as a witness involved in the Scott Rothstein bankruptcy challenges you have read about in

the newspaper. They were qualified as experts in that case so they are qualified. I did then talk to Michael Joblove our special counsel and he let me know that this was not the only firm he looked at. He actually looked at four firms and he felt this firm and its people matched up best with the kind of undertaking that we are going to have to confront, not the least of which is making our way through a set of very confusing, difficult to understand county financial documents and records to see just where we stand in the timeline of paying off the bonds that the county issued specifically for North Springs to size and construct their plant. Our position in the litigation is that by now those bonds either have been paid off or if they were managed correctly they would have been paid off. The problem is over time and over the years they have done refundings, they have taken on new expansions, issued new bonds and it has all been mixed up. We have asked for the records in the past, they have given us certain financial records that we had CH2M Hill and our utility rate people review before we ever got into this litigation and frankly, even though they are the experts that set the rates and review all of the financial matters relating to our plants and many other substantial utility operations around the world they could not figure out what the county is doing with the money. This is going to be a key piece of this litigation. These are qualified people to do this sort of work. The rates while they are significant are in line for this type of undertaking by this type of expert. Of course, at the end of this rainbow if it turns out to be a rainbow we will seek to recover our costs of having to litigate this from the county. We are not just going to absorb all this, prove our point as we think we will do and then not look to the county to pay our costs. This is a cost item that we would seek an order of the court requiring the county to reimburse us for if we prevail in the litigation. Just so you know the first production by the county of documents in response to our request for relevant information on this case consists of 40,000 pages. That is what they have provided to us so far. In any event having checked with a couple of other people including talking to Mr. Joblove extensively about the undertaking that will be required of this firm and their qualifications to do it along with him he recommends them and as your general counsel I recommend also that you approve this engagement letter.

Mr. Gray stated we are going to have them try to figure out where the original bonds that we are talking about where that is at basically.

Mr. Lyles stated that is the essential problem that has thus far proven allusive. Your staff has looked at it, your consulting engineers who are in addition to being engineers are rate study

experts for utility expenses including giving opinions relating to the bonds for utility operations and they have not been able to give Doug the answer. Moreover we will need an expert to testify to these matters, an independent expert that can be qualified in this trial if it goes to that and it looks like it will. They have given no indication of wanting to resolve in any kind of way this matter unless there is some communication I am not aware of. The county has given no indication that they want to resolve this in any way other than through the end of a trial and appeal if necessary.

Mr. Capwell asked have you thought about maybe trying to do binding arbitration?

Mr. Hyche stated that was one of the steps and there is no binding arbitration.

Mr. Capwell if they agree to it. Can we ask them? That might minimize the cost a little bit.

Mr. Lyles stated it wouldn't minimize this cost. We have been through mediation.

Mr. Capwell asked what about binding arbitration?

Mr. Lyles stated we are already in court at this point, we have already started down the litigation path. We did the mediation that is required by Florida Statutes in the notice and mediation steps pre-suit and that was not successful.

Mr. Hyche stated also our elected officials met with their elected officials and tried to come to a conclusion there and some form of agreement and it was unsuccessful in that matter.

Mr. Capwell stated I'm just saying it can't hurt to ask if they would agree to binding arbitration.

Mr. Lyles stated I don't know that anybody has even considered whether it would work to our advantage or not.

Mr. Capwell stated maybe I will discuss it after the meeting.

Mr. Lyles stated or with Mr. Joblove because you have hired him to give you that sort of special expertise and I will be on the call if you like or not but you might talk to him about what his views would be. It would be unusual to already be in front of a court and have a case assigned to a circuit court judge and then take it out and take it to arbitration. I have no idea whether the county would agree or disagree. It is not part of our Large User Agreement but arbitration like that is normally only done when there is a contractual obligation to do it. If the parties agreed I suppose they could agree to anything.

Mr. Capwell asked how are we doing with all the cities that we are required to have as parties?

Mr. Hyche responded we met with seven of the cities. They expressed in their opinion that as we told our side that they were fine with us servicing the Wedge as long as the Large User Agreement remained in place as is. However, the majority of them wanted to get back to us, go back to the county find out what if anything would be detrimental to their city before making that decision or giving us that letter. No one has signed anything.

Mr. Gray asked exactly what do we have to get done there with the other cities, the ramifications if some of them don't want to agree to that?

Mr. Lyles responded what the judge has said is that he has determined even though neither party asked him to, he has determined that the other cities based upon an argument that the county kind of made that they were indispensable parties he said at the very least they are necessary parties to this because their financial planning or interests could be affected by the ultimate outcome of this case. Theoretically at the moment in order to proceed we have to file a new complaint and name ten cities on top of Broward County to proceed. Mr. Joblove & Co. have filed a petition for a writ to go up to the Fourth District Court of Appeals and have the judge's decision looked at while the case is pending. They filed this petition and will have what is in effect a small appeal on one narrow issue not to decide the outcome of the case but to decide whether the judge's ruling is correct as a matter of law. We are not in the process of suing these other cities. We are trying to get a review of the circuit court judge's decision because our special counsel do not believe that the case will stand up under appellate review. That is pending right now. We are going to try to do it the quicker, easier way with just one party, which is Broward County.

Mr. Gray stated if he turns us down we are involving all the other parties.

Mr. Lyles stated we have to name them as necessary parties and Doug said he has already met with them and explained, if we serve the Wedge area we still remain obligated under the Large User Agreement for the rest of North Springs therefore, that cannot have any more than some remote and theoretical affect on your future payments for service under the Large User Agreement.

Mr. Gray asked how can it be any different compared to current? It might be different if they serviced it but compared to current it would be no different.

Mr. Lyles stated I think that is a fair statement. The cities don't understand that. I think when and if that has to happen and they do I think they may file an answer saying they will be a party and they will be empowered to file some kind of responsive pleading but if they don't think that their financial picture is being endangered by this I don't think they will take much interest. On the other hand if one or more of them gets spooked by the county and says wait a minute if NSID is allowed to pull out of this whole thing we are going to have to pay more because instead of being eleven parties to the Large User Agreement there will only be ten so our part will obviously go up. I don't think that can even be calculated right now. It is highly speculative and theoretical because the rates that they pay are the rates that they pay but that is where we are.

Mr. Gray asked when is the appellate court going to hear it?

Mr. Lyles responded we don't know. The petition has been filed for the writ to be issued. There may or may not be argument and it was only filed ten days ago. It will be a little while. In the meantime we are not just going to sit on our hands and we will continue to work with the cities and try to get them to sign off that they don't have a concern about this. Where we are procedurally at this moment with the judge's order that has been rendered so far we have to file suit against those other cities before we proceed in his case back in circuit court. We prefer not to do that, which is why we are up in the Fourth District Court of Appeals.

Mr. Gray stated the only thing we are petitioning is for the Wedge. Is that correct?

Mr. Lyles responded no that is not correct. When we were forced to go to court over this by the utility of the process you went through as elected officials with the county commission and the position that the staff maintained and continued to pursue we said okay if we are going to have to go to court anyhow then we might as well go for both components, which is (1) what happens in the Wedge, which was never part of the Large User Agreement wasn't even part of Broward County never mind NSID when the Large User Agreement was signed (2) this issue with whether or not these bonds have been retired and this agreement can be modified or terminated as to NSID. Have we paid enough over the period of time that this agreement has been effect to retire what is fairly our portion of these bonds?

Mr. Gray stated so they are separate.

Mr. Lyles stated they are two separate issues but they are in the same lawsuit. If we get something done on the Wedge then you will decide whether to go forward and do the whole thing or just stick with what we have achieved as to the Wedge and let that be it.

Mr. Gray stated effectively we want to hire someone to do something they should do and provide us. They should provide for accounting for what they did with money that we owe that was on an agreement.

Mr. Lyles stated money that we have paid.

Mr. Gray stated I'm saying originally owed and have been paying back for years. If I call my mortgage company because I borrowed money from them and I have been paying them back it would be their responsibility to show me the debt that I owe them based on where I was at in my payments. It seems a totally bizarre thing that we would have to provide that information when they are the ones we have been paying. They are the ones receiving and monitoring and doing whatever they are doing with the funds we are not managing the funds they are. You are saying we have to pay to find out what they did with our funds.

Mr. Lyles stated they will provide documents. They are happy to provide documents and their position is we still owe money into infinity. We don't think that is correct.

Mr. Gray stated I'm asking for a spreadsheet that shows how much money was there how much we paid, what percentage we have. A bank would give me that if I asked. Any person you are paying would be obligated to show you your debt.

Mr. Lyles stated they are not obligated to explain it to us they are obligated to provide us with documents that they have. Once we get into discovery phase they are going to be obligated to produce a witness who can be examined by our special counsel with the assistance of a forensic accounting expert that has been through these documents and that witness is going to be required to testify under oath. To get to the point where that can be done these experts are going to have to be authorized.

Mr. Gray asked effectively we have to hire them and they have to hire somebody.

Mr. Lyles stated I don't know whether they will hire anybody or rely on their staff. The entire staff of NSID is practically sitting here. The county has several thousand employees. They have more people in their finance department by a factor of ten than we have that work for NSID. They have in-house resources that we do not have. They have multiple CPAs, attorneys on their payroll. They have resources that NSID doesn't have.

Mr. Gray stated we don't have an estimate of cost just an hourly profile.

Mr. Lyles responded that is correct. I think it would be difficult to give you an estimate at this time, however, I think it is not difficult for you as part of your approval to ask one of two

things or maybe both. Either set a maximum that your comfort level is consistent with at which point they have to come back and ask for further authority or ask that you be provided with monthly statements as to how much it is costing.

Mr. Gray stated I am not comfortable with unlimited.

Mr. Lyles stated I will tell you that it is more common than not to not set a cap on the expert witness assignment in these types of matters. However, I'm not telling you at all that is not feasible. I think you could establish some kind of cap at which point Mr. Joblove & Co. have to come back before you and explain what has been done and why it cost what it cost and why it is worthwhile to spend more.

Mr. Gray stated without a cap since it is hourly and we can stop it at any time I would certainly like to have feedback on how it is going and where it has progressed.

Mr. Lyles stated let me make sure that I assure you that you can stop at any time. You are in total control of this in terms of you are giving authority but now you are going to yank the authority. That is why I suggested maybe you want to see a monthly statement for what has been spent and what the activity was that was associated with the expenditure and if at some point you decide your comfort level has been exceeded you could put a stop to it at any time.

Mr. Capwell stated I will talk to the attorney about binding arbitration.

Mr. Gray stated I think it is a good idea. The attorney can get back to us on the pros and cons from their standpoint.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the engagement letter with Berkowitz Pollack Grant, Inc. was approved with a monthly statement and associated activity to be provided to the board.

III. ADS Engineering Contingency Invoice for Power Surge Damaging the District Network System for Plant Operations

Mr. Hyche stated the next item is ADS Engineering contingency invoice for the power surge damaging the district network system for plant operations. Two months ago we had a power surge here and ADS Engineering looked at our panels that control the high service pumps. In his evaluation of what had taken place during the power surge he realized that these systems are no longer supported by the manufacturer. We would have to buy all new equipment for that one panel. One solution is to start replacing the network parts until we get the desired network

performance. The effort to do that at this point is unknown because once you replace one part then you have to replace another and it becomes a domino affect at that point. The next solution is to spend the money to upgrade the system and we are going to be using the same equipment in the new plant so we can integrate that system with the new plant into our high service pumps and that networking system. This is the invoice to do that work and we are asking for your approval to have ADS Engineering do that. ADS Engineering is the one who designed our R.O. Plant and installed the system here.

Mr. Gray stated rather than repair the damage you want to upgrade this system.

Mr. Hyche responded correct. To repair an obsolete system may create a problem down the line and weaken other systems and other panels and that doesn't solve the problem.

Mr. Capwell asked how old is this system?

Mr. Hyche responded this system was installed when this plant was new 12 years ago when we built Plant 3.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the invoice from ADS Engineering in the amount of \$39,572.00 was approved.

IV. Consideration of Acceptance of Proposed Lake Maintenance Right of Way Easement from WCI Communities

Mr. Hyche stated the next item is consideration of acceptance of a proposed lake maintenance right of way easement from WCI Communities. I spoke with Dennis on this and he wanted to tweak the language in this agreement.

Mr. Lyles stated in fact I received today the changes we requested in the form of a new easement agreement. The one that is in your package prepared by WCI's in-house counsel didn't specify any particular length of time that would trigger the easement to be blown up if we didn't use it. I wanted there to be a five year period so that if we don't use this easement for lake maintenance purposes for five years then it can be dissolved by WCI or the homeowner the successor. The other thing that I wanted them to do was they had a provision that said that our activities cannot in any way interfere with the use of the property by them or the homeowner. They are going to interfere so they agreed to put a reasonable standard in there. We can't unreasonably interfere with, and it was just oversight on their part. They did make the changes I

requested on your behalf and I have new originals here for you to sign today if you would like to approve this grant of easement.

Mr. Gray asked do we have multiple easement accesses on this particular lake?

Mr. Schooley responded we have one other access point that is not accessible.

Mr. Gray stated so this is really what we are going to use.

Mr. Schooley stated this is the one we are going to use and it is a small area in the northern half of Heron Bay coming off of County Line Road. It is not going to bother anybody. It is just to put a boat in.

Mr. Gray stated then we aren't going to have a problem with the current wording to do what we need to do since we are going to use it.

Mr. Lyles stated what I was trying to avoid is some prickly homeowner five or ten years from now looks at this and says they haven't been out here in at least a month and that technically would have qualified as failure to use it under the original wording. It is equitable to have some reasonable time and I can tell you that certain Florida Statutes that apply to rights of way that are given to cities and counties to be used as roadways if you don't pave it and use it within five years then you lose it. The five year standard is pretty well recognized as reasonable for a government agency like this one.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the lake maintenance easement within Tract B-3 Heron Bay North Plat 3 was accepted as amended.

V. Consideration of Contract with Ashbritt for Disaster Recovery Services Through an Existing City of Parkland Contract (Piggyback)

Mr. Hyche stated item five is consideration of contract with Ashbritt for disaster recovery services piggybacking on an existing contract with the City of Parkland. These are the same people we had last year for disaster recovery and response.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the contract with Ashbritt for disaster recovery services was approved.

VI. Cancelling Award of Contract for 85 Foot Communications Tower – Ruzzano Construction

Mr. Hyche stated the next item is cancelling award of contract for 85 foot communications tower with Ruzzano Construction. This item went before the Coral Springs City Commission for rezoning. They were quite a few neighbors not wanting to have an 85 foot pine tree in their backyard and the commission denied our request for rezoning.

Mr. Gray asked what are we going to do?

Mr. Hyche responded we are looking at it and going back to the people who did the original survey to see what our distances would be for communications and we are going to do another survey to see if we either have to reduce the size of our tower or wait until our building is built and put a small whip antenna on top of that. They said we can come back to them with a different height tower. We are cancelling the Ruzzano contract.

Mr. Capwell asked how high is our tallest structure now?

Mr. Hyche responded about 55 feet with the antenna. The silos are 45 feet and then add another 10 feet for the whip antenna on top. There are several options and we can also lease off of a current tower within our limits.

Mr. Gray asked has Ruzzano been made aware of it?

Mr. Hyche responded yes they have. They have no problem with it.

Mr. Gray stated I'm assuming we had it in our original contract as a possibility.

Mr. Hyche responded correct.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the award of the contract for the construction of the construction of the 85 foot tower at the plant site was cancelled.

VII. Consideration of an Encroachment Agreement

Mr. Hyche stated the next item is consideration of an encroachment agreement with Drew Horowitz at 8292 N. W. 118 Way in Summerset in Heron Bay. This is an encroachment of a fence and staff looked at this and there are no conflicts.

Ms. Richard stated they would be encroaching but they would not be impeding our operations.

Mr. Lyles stated you can authorize the proper district officials to execute an encroachment agreement with Drew Horowitz.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the proper district officials were authorized to execute the encroachment agreement with Drew Horowitz at 8292 N. W. 118 Way.

Mr. Capwell asked why does the district have to pay for drafting the encroachment agreement? Shouldn't we in the future have the homeowner pay for that?

Mr. Lyles stated we do them all the time so there is very minimal cost. It has to be recorded and we require them to give us notarized execution copies and they pay the recording costs. That is how you have always done it.

Mr. Capwell stated have them pay the cost or charge them a fee, maybe we can add a fee for future encroachment agreements.

Mr. Lyles stated that is certainly within your purview to institute that policy.

Mr. Capwell asked how often does it happen just a few times a year?

Mr. Lyles responded yes.

Mr. Gray stated that is not a bad idea to cover our costs but I'm not sure what our costs really are because they are just a form that you fill out. If they are paying for the recording fees I'm not sure there is much else. Ultimately it might cost you more money for the accounting to take care of something than it is worth to get a charge for. I wouldn't want to incur additional expense to pick up an expense.

Mr. Hyche stated we will have Brenda look up the cost and see exactly what it is.

Mr. Gray stated you can let us know at the next meeting and we can consider it.

B. Attorney

There not being any, the next item followed

C. Engineer

There not being any, the next item followed.


FOURTH ORDER OF BUSINESS

Approval of Financials and Check Registers

Mr. Hyche stated the next item is approval of financials and check registers.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the financials and check registers were approved.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the meeting adjourned at 5:42 p.m.



Vincent Morretti
Secretary



David Gray
President